

SNB CAPITAL REAL ESTATE FUND
(formerly known as SAMBA Real Estate Fund)
(Managed by SNB Capital Company)
CONDENSED INTERIM FINANCIAL
STATEMENTS (UNAUDITED)
For the six-month period ended 30 June 2022
together with the
Independent Auditor's Review Report



KPMG Professional Services

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كي بي إم جي للاستشارات المهنية

واجهة الرياض، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

المركز الرئيسي في الرياض

Independent auditor's report on review of condensed interim financial statements

To the Unitholders of SNB Capital Real Estate Fund (formerly known as SAMBA Real Estate Fund)

Introduction

We have reviewed the accompanying 30 June 2022 condensed interim financial statements of **SNB Capital Real Estate Fund** (the "Fund"), managed by SNB Capital Company ("the Fund Manager"), which comprises:

- the condensed statement of financial position as at 30 June 2022;
- the condensed statement of profit or loss and other comprehensive income for the six-month period ended 30 June 2022;
- the condensed statement of changes in equity attributable to the Unitholders for the six-month period ended 30 June 2022;
- the condensed statement of cash flows for the six-month period ended 30 June 2022; and
- the notes to the condensed interim financial statements.

The Fund Manager is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Accounting Standard 34, 'Interim Financial Reporting' ("IAS 34"), that is endorsed in the Kingdom of Saudi Arabia and to comply with the applicable provisions of the Real Estate Investment Funds Regulations issued by the Capital Market Authority and the Fund's terms and conditions. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing ("ISAs") that are endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2022 condensed interim financial statements of **SNB Capital Real Estate Fund** are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

Emphasis of matter

We draw attention to note 9 to the condensed interim financial statements, which explains that the title deed of one of the Fund's real estate property was revoked by the Supreme Court in the Kingdom of Saudi Arabia during the period ended 30 June 2021. Accordingly, the Fund Manager is maintaining an allowance thereagainst amounting to SAR 126.5 million representing the estimate of the loss expected to be incurred. Due to the significance of the foregoing matter and corresponding amount, the Fund Manager has suspended all unit subscription and redemption requests until resolution thereof.

Our review conclusion is not modified in respect of this matter.

KPMG Professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia with the paid-up capital of SAR (25,000,000). Previously known as "KPMG Al Fozan & Partners Certified Public Accountants". A non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

كي بي إم جي للاستشارات المهنية شركة مساهمة مغلقة، مسجلة في المملكة العربية السعودية، رأسمالها (٢٥.٠٠٠.٠٠٠) ريال سعودي منصوص بالكمال، المسماة سابقاً "شركة كي بي إم جي القوزان وشركاه محاسبون ومراجعون قانونيون". وهي عضو غير شريك في شبكة المحاسبة لشركات كي بي إم جي العالمية التابعة لـ كي بي إم جي العالمية المحدودة، شركة الخيرية محدودة بضمان، جميع الحقوق محفوظة.



Independent auditor's report on review of condensed interim financial statements

To the Unitholders of SNB Capital Real Estate Fund (formerly known as SAMBA Real Estate Fund)
(continued)

Other matter

The condensed interim financial statements of **SNB Capital Real Estate Fund** ("the Fund") for the six-month period ended 30 June 2021 were reviewed by another auditor who expressed an unmodified conclusion on those condensed interim financial statements on 19 August 2021 and the financial statements of the Fund for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those financial statements on 31 March 2022.

KPMG Professional Services

Ebrahim Oboud Baeshen
License No. 382

Date: 20 Muharram 1444H
Corresponding to: 18 August 2022



SNB CAPITAL REAL ESTATE FUND (formerly known as SAMBA Real Estate Fund)
(Managed by SNB Capital Company)

CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

Expressed in Saudi Arabian Riyals '000 (unless otherwise stated)

	<i>Note</i>	30 June 2022 (Unaudited)	31 December 2021 (Audited)
ASSETS			
Cash and cash equivalents	8	8,032	8,963
Inventories - real estate properties	9	52,453	52,387
Other receivables		45	77
Total assets		60,530	61,427
LIABILITIES			
Other payables		17,427	17,636
Equity attributable to the Unitholders		43,103	43,791
Units in issue in thousand (number)		17,580	17,580
Equity per unit (SAR)		2.4518	2.4910

The accompanying notes 1 to 13 form integral part of these condensed interim financial statements

SNB CAPITAL REAL ESTATE FUND (formerly known as SAMBA Real Estate Fund)
(Managed by SNB Capital Company)

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Unaudited)

For the six-month period ended 30 June 2022

Expressed in Saudi Arabian Riyals '000 (unless otherwise stated)

		For the six-month period ended 30 June	
	<i>Note</i>	<u>2022</u>	<u>2021</u>
Other Income		-	5
Total income		-	5
Reversal of NRV write down of real estate projects	9	66	1,195
Provision against inventory – real estate property	9	-	(126,496)
Management fees	10	-	(319)
Other expenses		(754)	(1,345)
Total operating expenses		<u>(688)</u>	<u>(126,965)</u>
Loss for the period		<u>(688)</u>	<u>(126,960)</u>
Other comprehensive income for the period		-	-
Total comprehensive loss for the period		<u>(688)</u>	<u>(126,960)</u>

The accompanying notes 1 to 13 form integral part of these condensed interim financial statements

SNB CAPITAL REAL ESTATE FUND (formerly known as SAMBA Real Estate Fund)
(Managed by SNB Capital Company)

CONDENSED STATEMENT OF CHANGES IN EQUITY ATTRIBUTABLE TO UNITHOLDERS

For the six-month period ended 30 June 2022

Expressed in Saudi Arabian Riyals '000 (unless otherwise stated)

	For the six-month period ended 30 June	
	<u>2022</u>	<u>2021</u>
Equity attributable to the Unitholders at the beginning of the period (Audited)	43,791	170,312
Total comprehensive loss for the period	(688)	(126,960)
Equity attributable to the Unitholders at the end of the period (Unaudited)	<u>43,103</u>	<u>43,352</u>

The accompanying notes 1 to 13 form integral part of these condensed interim financial statements

SNB CAPITAL REAL ESTATE FUND (formerly known as SAMBA Real Estate Fund)
(Managed by SNB Capital Company)

CONDENSED STATEMENT OF CASH FLOWS (Unaudited)

For the six-month period ended 30 June 2022

Expressed in Saudi Arabian Riyals '000 (unless otherwise stated)

		For the six-month period ended 30 June	
	<i>Notes</i>	<u>2022</u>	<u>2021</u>
Cash flows from operating activities			
Loss for the period		<u>(688)</u>	<u>(126,960)</u>
<i>Adjustments for:</i>			
Reversal for NRV write down of real estate projects		<u>(66)</u>	<u>125,301</u>
		<u>(754)</u>	<u>(1,659)</u>
<i>Changes in operating assets and liabilities:</i>			
Inventories – real estate properties		<u>-</u>	<u>48,708</u>
Other receivables		<u>32</u>	<u>-</u>
Other payables		<u>(209)</u>	<u>(38,052)</u>
Net cash (used in) / generated from operating activities		<u>(931)</u>	<u>8,997</u>
Net (decrease) / increase in cash and cash equivalents		<u>(931)</u>	<u>8,997</u>
Cash and cash equivalents at the beginning of the period	8	<u>8,963</u>	<u>147</u>
Cash and cash equivalents at the end of the period	8	<u>8,032</u>	<u>9,144</u>

The accompanying notes 1 to 13 form integral part of these condensed interim financial statement

SNB CAPITAL REAL ESTATE FUND (formerly known as SAMBA Real Estate Fund)
(Managed by SNB Capital Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the six-month period ended 30 June 2022

Expressed in Saudi Arabian Riyals '000 (unless otherwise stated)

1 THE FUND AND ITS ACTIVITIES

SNB Capital Real Estate Fund (formerly known as SAMBA Real Estate Fund) ("the Fund") is an open-ended Shariah compliant, real estate investment fund, established and managed by SNB Capital Company ("the Fund Manager"), a subsidiary of The Saudi National Bank ("the Bank"), for the benefit of the Fund's Unitholders. The Fund is ultimately supervised by the Fund Board. Al Bilad Capital Company acts as the custodian of the Fund.

The Fund's investment objective is to provide Unitholders with long term capital growth through acquiring, developing and selling residential, commercial and industrial land and existing buildings. The Fund can also invest in real estate private equity and in shares of listed local real estate companies.

The terms and conditions of the Fund were approved by the Capital Market Authority ("CMA") on 16 Shawwal 1427 H (corresponding to 7 November 2006). The Fund commenced its activities on 17 Dhul-Hijjah 1427 H (corresponding to 7 January 2007).

The Fund is governed by the Real Estate Investment Funds Regulations (the "Regulations") published by the CMA in the Kingdom of Saudi Arabia (the "KSA") on Jumad-al-Thani 19, 1427 H (corresponding to 15 July 2006) as amended by the resolution of the CMA Board on 12 Rajab 1442 H (corresponding to 24 February 2021).

2. BASIS OF ACCOUNTING

These condensed interim financial statements of the Fund have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia and comply with the applicable provisions of the Regulations and the Fund's terms and conditions.

These condensed interim financial statements do not include all information and disclosures required for a complete set of financial statements and should be read in conjunction with the Fund's annual audited financial statements of the Fund as at and for the year ended 31 December 2021.

3. BASIS OF MEASUREMENT

These condensed interim financial statements have been prepared on going concern concept and historical cost convention using accrual basis of accounting except for real estate properties which are recorded at lower of cost and net realizable value.

The Fund does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the condensed interim statement of financial position. Instead, assets and liabilities are presented in order of their liquidity.

4. FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the condensed interim financial statements are measured using the currency of the primary economic environment in which the Fund operates ("the functional currency"). These condensed interim financial statements are presented in Saudi Arabian Riyal ("SAR") which is the Fund's functional and presentation currency and have been rounded off to the nearest thousand unless others stated.

SNB CAPITAL REAL ESTATE FUND (formerly known as SAMBA Real Estate Fund)
(Managed by SNB Capital Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the six-month period ended 30 June 2022

Expressed in Saudi Arabian Riyals '000 (unless otherwise stated)

5. CHANGES IN FUND'S TERMS AND CONDITIONS

The Fund Manager has updated the terms and conditions of the Fund during the period. The change includes change in the custodian of the Fund as stated above.

6. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the condensed interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The basis and the methods used for critical accounting judgements, estimates and assumptions adopted are consistent with those used in the preparation of the annual financial statements of the Fund for the year ended 31 December 2021.

7. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these condensed interim financial statements are consistent with those used in the preparation of the annual financial statements of the Fund for the year ended 31 December 2021.

a. Standards, interpretations and amendments effective during the year

Below amendments to accounting standards, interpretations and amendments became applicable for annual reporting periods commencing on or after 1 January 2022. The Fund manager has assessed that the amendments have no significant impact on the Fund's condensed interim financial statements.

Amendments to IFRS 16 – Covid - 19 Related Rent Concessions beyond 30 June 2021

Amendments to IAS 37 - Onerous Contracts – Cost of Fulfilling a Contract

Annual Improvements to IFRS Standards 2018-2020

Amendments to IFRS 3 - Reference to the Conceptual Framework

b. Standards, interpretations and amendments issued but not yet effective

Standards, interpretations and amendments issued but not yet effective up to the date of issuance of the Fund's condensed interim financial statements are listed below. The Fund intends to adopt these standards when they become effective.

<i>Standards, interpretations and amendments</i>	<i>Description</i>	<i>Effective from periods beginning on or after the following date</i>
Amendments to IAS 1 and IFRS practice statement 2	Disclosure of accounting policies	1 January, 2023
Amendments to IAS 8	Definition of accounting estimates	1 January, 2023
Amendments to IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1 January, 2023
Amendments to IAS 1	Classification of liabilities as current or non-current	1 January, 2024
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between investor or Joint Venture	Available for optional adoption / effective date deferred indefinitely

The above standards, interpretations and amendments are not expected to have a significant impact on the Fund's financial statements.

SNB CAPITAL REAL ESTATE FUND (formerly known as SAMBA Real Estate Fund)
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the six-month period ended 30 June 2022

Expressed in Saudi Arabian Riyals '000 (unless otherwise stated)

8. CASH AND CASH EQUIVALENTS

This comprises of balances held with a local bank having sound credit rating.

9. INVENTORIES – REAL ESTATE PROPERTIES

Investments in real estate projects comprises of the following:

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Development Land	52,453	52,387

- a) SNB Capital, the Fund Manager, has formed a Special Purpose Vehicle (“SPV”), Samba Real Estate Investment Company (the “SPV”), registered under Commercial Registration No. 1010715022 dated 23 Shawwal 1438 H (corresponding to 17 July 2017). The primary objective of the SPV is to retain and register real estate assets related to real estate funds in its name.
- b) The title deeds of the land are registered in the name of the SPV. Since the Fund is the beneficial owner of this land, the land has been recorded in these condensed interim financial statements.
- c) The fair value of the investment in real estate is based on the average evaluation of two independent evaluators. The valuation of the properties as at 30 June 2022 was carried out by ESNAD Real Estate Valuation and Valustrat which are accredited valuers by Saudi Authority for Accredited Valuers (TAQEEM). The valuers have used the comparable approach to evaluate the value of the real estate projects.
- d) The carrying value for each investment in real estate projects is as follows:

		30 June 2021 (Unaudited)		
		<i>Net</i>		
		<i>realizable</i>		
Project Description	Ref	Cost	value	Carrying value
Derab Riyadh	i)	126,496	-	-
Knoz Jeddah		70,000	52,453	52,453
		196,496	52,453	52,453

		31 December 2021 (Audited)		
		<i>Net</i>		
		<i>realizable</i>		
Project Description	Ref	Cost	value	Carrying value
Derab Riyadh	i)	126,496	-	-
Knoz Jeddah		70,000	52,387	52,387
		196,496	52,387	52,387

SNB CAPITAL REAL ESTATE FUND (formerly known as SAMBA Real Estate Fund)
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the six-month period ended 30 June 2022

Expressed in Saudi Arabian Riyals '000 (unless otherwise stated)

9. INVENTORIES – REAL ESTATE PROPERTIES (Continued)

- i) The Fund Manager on 23 March 2021 received a copy of the Supreme Court decision revoking a number of title deeds which included the title deed for the real estate property owned by the Fund located in Derab, Riyadh.

The Fund Manager has appointed a legal advisor and has filed an appeal against the revocation order with the Appeal Committee. In the event of rejection of the aforementioned appeal, the Fund intends to initiate judicial proceedings in order to recover the purchase cost of the property.

Consequently, the Fund Manager has created full provision against the value of the property and has suspended unit subscription and redemption requests pending the resolution of these matters.

- e) The carrying value of the investments in real estate projects is analysed as follows:

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Investments in real estate projects at cost	196,496	196,496
NRV write-down of real estate projects	(144,043)	(144,109)
Net realizable value of real estate projects	<u>52,453</u>	<u>52,387</u>

10. RELATED PARTY TRANSACTIONS AND BALANCES

The related parties of the Fund include the Fund Manager, other funds managed by the Fund Manager, and the Saudi National Bank, being parent of the Fund Manager.

Management fees and other expenses

The Fund is managed and administered by the Fund Manager. For these services, the Fund accrues, daily a management fee, which should not be more than the maximum annual rate of 1% (2021: 1%) per annum of the Fund's daily net asset value as set out in the Fund's terms and conditions. On 03 March 2021, the Fund Manager has waived the requirement for payment of management fees, therefore, no accrual has been made for the management fees. Following are the details of transactions and balances with the Fund manager related to management fees and other expenses:

<u>Related party</u>	<u>Nature of transactions</u>	Amounts of transactions for the six-month period ended 30 June		Balance as at	
		<u>2022</u>	<u>2021</u>	<u>30 June 2022</u>	<u>31 December 2021</u>
		<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Audited)</u>
SNB Capital Company	Management fees	-	319	-	-

SNB CAPITAL REAL ESTATE FUND (formerly known as SAMBA Real Estate Fund)
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the six-month period ended 30 June 2022

Expressed in Saudi Arabian Riyals '000 (unless otherwise stated)

11. FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

Impairment of Investments in real estate projects

Investments in real estate projects are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the investments in real estate projects exceeds its recoverable amount which is the higher of its fair value less cost to sell and value in use.

For the purpose of assessing impairment, investments in real estate projects are grouped at lowest levels for which there are separately identifiable cash flows (cash-generating units). Where an impairment loss subsequently reverses, the carrying amount of the investment in real estate projects or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognised for the investment in real estate projects or cash generating unit in prior periods. A reversal of an impairment loss is recognised as income immediately in the condensed statement of comprehensive income.

12. LAST VALUATION DAY

The last valuation day for the purpose of preparation of these condensed interim financial statements was 30 June 2022 (2021: 30 December 2021).

13. APPROVAL OF CONDENSED INTERIM FINANCIAL STATEMENTS

These condensed interim financial statements were approved by the Fund Board on 20 Muharram, 1444H corresponding to 18 August 2022.